

**FAMILY AND SOCIAL SERVICES
ADMINISTRATION**

**2004-2005 BUDGET
PRESENTATION**

JANUARY 15, 2003

TABLE OF CONTENTS

	PAGE
TRANSMITTAL LETTERS	
GENERAL OPERATING	2
CAPITAL	14
 ABOUT FAMILY AND SOCIAL SERVICES ADMINISTRATION	
ORGANIZATION CHART	20
FSSA SERVICES AND FUNDING	22
FSSA'S TOP 50 PROGRAMS	27
FSSA'S TOP 50 STAFFED OFFICES	29
 CURRENT YEAR PRIORITIES	31
 2002-2003 BUDGET REDUCTIONS	33
 2004-2005 PRIORITIES	36
 2004-2005 BUDGET REQUEST	
MEDICAID SERVICES	38
COMMUNITY-BASED SERVICES/INDEPENDENCE	42
PREVENTION SERVICES	45
HEALTHY AND SAFE SERVICES	47
STATE OPERATED FACILITIES	49
LOCAL COUNTY DIVISION OF FAMILY AND CHILDREN	51
ADMINISTRATION	53

FSSA TRANSMITTAL LETTERS

December 2, 2002

Ms. Marilyn Schultz, Director
State Budget Agency
Room 212, State House
Indianapolis, IN 46204

Dear Ms. Schultz:

Indiana's Family and Social Services Administration (FSSA) provides services and helps create opportunities for one in seven Hoosiers. FSSA does this with more than 10,000 employees, an annual budget of more than \$5 billion and by collaborating with federal and local governments, other state agencies, consumer advocacy groups, service providers and our clients and their families.

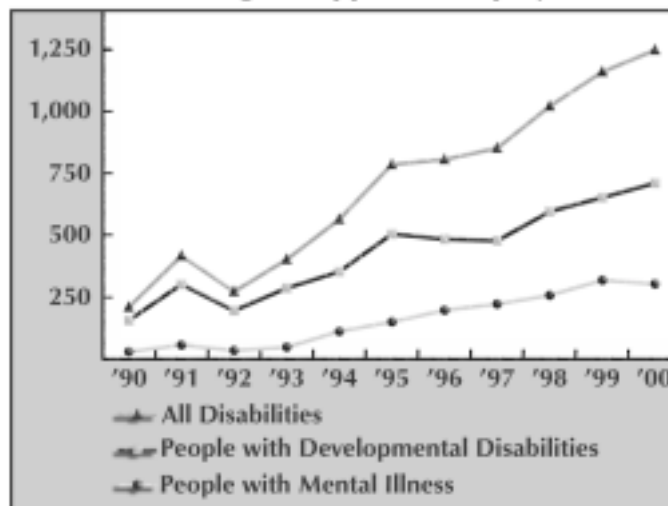
The General Assembly created FSSA in 1991 to bring together four service divisions under one policy and administrative umbrella so that hundreds of thousands of vulnerable Hoosiers would more efficiently and effectively receive services every day. Those four are: the Division of Family and Children (DFC), the Division of Disability, Aging and Rehabilitative Services (DDARS), the Division of Mental Health and Addiction (DMHA) and the Office of Medicaid Policy and Planning (OMPP).

Hoosiers are better served because of the cooperation between service areas that is the hallmark of the General Assembly's consolidation of

FSSA's Mission

FSSA works with Indiana's children, adults, families, seniors and persons with disabilities to help them gain independence and achieve self-sufficiency; prevent their problems before they happen; and help them be healthy and safe.

Hoosiers Working in Supported Employment



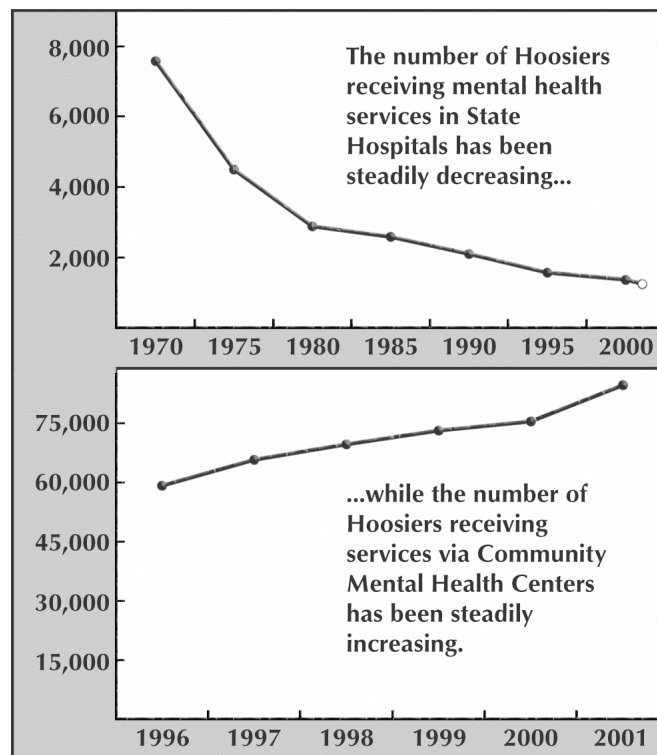
these four divisions For example:

- In the Children's Health Insurance Program (CHIP), OMPP and DFC have worked together to enroll and cover more than 433,000 children in the Hoosier Healthwise program, up from 210,000 in 1998.
- Since July 1999, DMHA, DDARS and DFC have work side by side with the Department of Education to serve and protect 117 seriously emotionally disturbed and developmentally disabled children who are transitioning into adulthood, and supporting families to expand choices.
- Since October 2001, OMPP and DDARS have worked together to help more than 800 elderly and disabled Hoosiers gain medical waivers for services that are more appropriate to their needs and more cost effective for the state.
- DMHA and OMPP collaborated on the Medicaid Rehabilitation Option resulting in more than \$114 million federal dollars being leveraged to provide mental health services for 50,265 adults and children in state fiscal year 2002.
- DFC, DDARS and DMHA have worked hard to help Hoosiers receiving cash assistance find and keep jobs – and advance to earn increased wages. FSSA has earned three federal High Performance Bonus awards in the last three years, totaling more \$20 million.

Furthermore, FSSA is working hard to make sure Hoosiers have every opportunity to lead healthy, productive lives. Hoosiers have realized some remarkable successes in the last ten years.

- Fewer children live in poverty and more have health insurance (33% fewer kids are without coverage).
- Sixteen percent fewer high school seniors report drinking alcohol and alcohol-related traffic accidents have declined almost 40%.
- The number of Hoosiers with disabilities and mental illnesses that are receiving services in their home or in their community has more than doubled

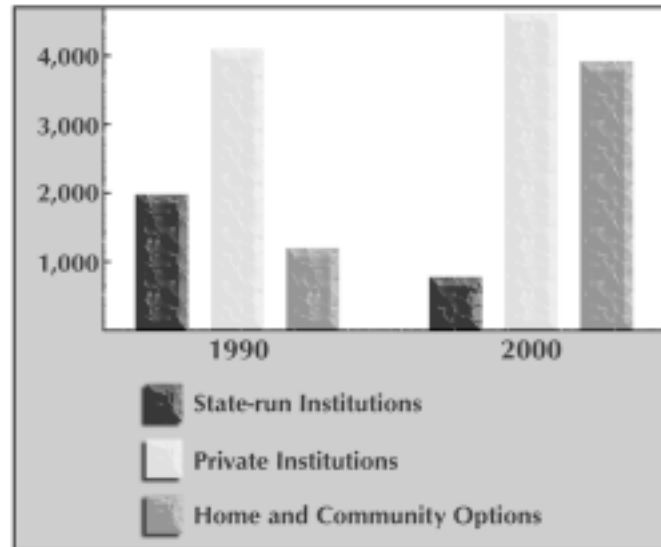
Hoosiers Receiving Mental Health Services from State Hospitals versus Community Mental Health Centers



while the number in institutions has been cut in half.

- Hoosiers with mental illness or disabilities are also getting and keeping jobs; the number in supported employment has more than quadrupled.
- Indiana is one of only two states in the nation that showed a decrease of 50% or more in the number of “high-risk kids.”

Where People with Developmental Disabilities Live in Indiana with State Support



Agency Accomplishments FSSA Priorities

Last year, we set clear, measurable goals for FSSA to achieve by July 2003. We said what we were going to do, by when and are holding ourselves accountable. The priorities cover three broad areas that encompass our core work: increase the availability and quality of home- and community-based services; focus assistance to families and children on prevention and self-sufficiency; and be accountable to the public and our clients with our resources. The following numbers and updates reflect FSSA’s progress as of Sept. 30, 2002.

Priority #1 - Increase Availability and Quality of Community- and Home-based services.

- Created Commission on Home- and Community-Based Care to coordinate state, provider and non-profit efforts to serve people closer to their homes and communities.

FSSA will help build new capacity – at home or in the community – for:

- 2,000 people with developmental disabilities. Progress to date: 725.
- 3,000 elderly. Progress to date: 932.
- 480 people with mental illnesses. Progress to date: 708.
- 500 children and youth. Progress to date: 425.

FSSA will redirect resources from institutions to community- and home-based options:

- Redirect funding for 50% (300) of state-operated beds serving individuals with developmental disabilities. Progress to date: 98.

- Redirect funding for 10% (130) of nursing facility beds serving individuals with developmental disabilities. Progress to date: 19.
- Divert 1,000 elderly or people with physical disabilities who otherwise would have been directed to nursing facilities. Progress to date: 23.
- Redirect funding for 240 state-operated beds serving individuals with mental illnesses. Progress to date: 174.
- Redirect funding of 500 beds in residential and treatment institutions serving children and youth in probationary settings. Progress to date: 91.

FSSA will develop and implement measurable standards to assess and improve quality of service provided in both community- and state-operated facilities by June 30, 2002. Progress to date: completed. FSSA has developed standards to measure the quality of services it provides to Hoosiers in their communities and in state-operated facilities. FSSA is also setting benchmarks to direct future agency resources.

Priority # 2 – FSSA will focus assistance to families and children on prevention and self-sufficiency.

FSSA will work to make sure children are healthy and ready to learn:

- Conduct Healthy Families screenings for 90% of Hoosiers births. Progress to date: 58%.
- Offer Healthy Families services to 100% of children identified as at risk of abuse or neglect. Progress to date: 92%.
Indiana's Healthy Families program attained national certification and is recognized as the premier early intervention program in the nation. In 2002, Healthy Families Indiana was named a "National Center of Excellence," one of only two in the nation.
- Increasing First Steps enrollment – services for children at risk of development delays – to 18,000 children (100% of eligible). Progress to date: 17,950.

FSSA will help families be self-sufficient:

- Assist families on public assistance (TANF) to increase their earnings by 15%. Progress to date: 16% for two-parent households; 15% for single-parent households.
- Increase licensed childcare slots by 12%. Progress to date: 12,575 slots, or 120% of overall goal.
- Develop and implement a pilot program in several counties where the family support system will be family-centered with common entry points, integrated services and measurable results. Progress to date: Pilots on-going in Marion, Scott and Allen counties.

Priority # 3 – FSSA will be accountable to the public and our clients with our resources.

FSSA will contain costs and generate revenue:

- Reduce state Medicaid general fund costs and increase matching federal funds by \$250 million. Progress to date: \$53 million. Current projections indicate goal will be reached by June 30, 2003.
- Achieve FSSA savings (non-Medicaid) of \$150 million in state funding. Progress to date: \$60 million.
- Increase agency grant funding by \$1 million. Progress to date: \$3 million.
- Increase other federal support by \$30 million. Progress to date: \$11 million.

FSSA will continue to improve our accountability:

- Reduce social security disability determination backlog (the number of initial eligibility determinations not made within the required timeframe) below the national average of 3000 cases backlogged at the end of each month. Progress to date: no backlog in cases pending for initial review.
- 100% contracts will be on time, with performance standards by July 1, 2002. Progress to date: 98% on time; effective July 1, 2002, all new contracts have performance standards.
- Audit 25% of providers per year, based on risk assessment. Progress to date: on target, with \$477,000 collected.
- Consolidate agency publications by 33% by February 2002. Progress to date: completed.
- Produce agency report establishing agency benchmarks and annual reporting by March 2002. Progress to date: completed.

FSSA will develop and enhance our workforce:

- Implement an employee recognition program to reward those who find savings and begin a new orientation program by March 2002. Progress to date: completed.
- Create a management training curriculum with core and optional courses beginning April 2002. Progress to date: completed.

Additional Accomplishments

In addition to the progress FSSA has made with its current priorities, the agency has also had other successes on behalf of Hoosiers.

- FSSA collected more than \$401 million in child support in the 2001 calendar year, up 6% from \$377 million in 2000; and intercepted \$40.5 million in tax refunds for back child support.
- In Medicaid, FSSA recovered \$21 million from the Medicaid Funds Recovery Program that support administrative costs for low-income individuals receiving mental health or addiction services.
- FSSA created an automated child support system and developed a Web site for employers to process income withholdings.

- Established nation's first and only on-line, fully credentialed college credit Child Development Associate course:
www.in.gov/childcarelearning.
- FSSA established CareFinderIndiana (www.carefinderindiana.org) to allow parents to search on-line for licensed and registered childcare in their communities.
- FSSA implemented the Electronic Benefits Transfer (EBT) card in all 92 counties, replacing the paper-based Food Stamp delivery system with a more efficient, cost-effective way of delivering assistance to Hoosiers.
- Indiana was recognized at the national level for its statewide faith-based initiative, Faith Works Indiana, and by the U.S. Department of Agriculture for its partnership to increase food stamp access.
- The federal Rehabilitation Services Administration recognized the Work One Center in Evansville as an exemplary program. The center provides employment and training services to people with disabilities.
- FSSA was recognized for its shelter search service, which allows staffers at state-sponsored shelters to use the internet to view bed availability at other shelters.
- FSSA converted the Hoosier Rx system, which helps low-income Hoosiers afford prescription medicine, from a paper-based reimbursement system to a point-of-sale, immediate discount system – saving Hoosiers time and money.
- The T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood ® INDIANA has awarded more than 2,000 scholarships for college credit education towards Child Development Associate (CDA) and Associate Degrees in Early Childhood. These include scholarships for college campus learning and the new On Line Learning (OLL).

FSSA's Objectives for the 2004-2005 Biennium

Looking ahead, FSSA will continue its process of identifying key biennium priorities to achieve further successes on behalf of Hoosiers. FSSA will direct these priorities from July 1, 2003, until June 30, 2005. As it continues to identify issues important to the health, safety and independence of Hoosiers, FSSA will announce the benchmarks for each priority.

Priority # 1 – Increase community- and home-based services so that children, adults and families and seniors may enjoy greater independence

- Increase home and community services for troubled children.
- Increase home and community services for adults with developmental disabilities and mental illnesses.
- Increase home and community services for the elderly.

Priority # 2 – Increase prevention services for kids, adults and families and seniors

- Work with families and their children to prevent child abuse and neglect while increasing their parenting skills, through the Healthy Families program.
- Work with families in the First Steps program to help children who are at-risk for development delays, such as delays in their cognitive, communicative or emotional development, stay as healthy as possible.
- Increase the earnings and savings of TANF recipients.
- Secure jobs for a greater number of Hoosiers with disabilities.
- Assist more elderly Hoosiers to acquire long-term-care insurance policies.

Priority # 3 – Increase the health and safety of kids, adults and families and seniors.

- Increase the number of visits and the preventative care offered to children in the Hoosier Healthwise program.
- Address the increasing prevalence of obesity in Indiana's children.
- Work with Medicaid-eligible adults to enroll them in the disease management program, which addresses diabetes, asthma, congestive heart failure and HIV.
- Increase the number of seniors receiving benefits from Hoosier Rx.

Tools to Allow Us to Accomplish our Priorities

Accountability

FSSA must be accountable to its clients and taxpayers – those who receive FSSA's services and those who pay for them. FSSA believes that its biennial priorities are an important tool that Hoosiers can use to monitor the agency's progress in keeping Hoosiers safe, healthy and independent.

FSSA's priorities are specific and important. The agency's senior leadership team makes sure the priorities have clear, measurable goals and meets every other week to coordinate the agency's progress toward reaching these benchmarks. Additionally, about 75 senior managers meet quarterly to review the priorities and other agency progress. A system of management performance reviews and accountability goals has also been put in place.

Expanded Partnerships

Externally, FSSA continues its efforts to partner with other state agencies whenever appropriate and cost-effective.

- With the Department of Workforce Development to provide employment and training services to people with disabilities.
- With the Department of Correction to help incarcerated mothers and fathers develop parenting, employment and monetary skills.

- With the Department of Health to develop chronic disease treatment guidelines, priorities and a chronic disease management strategy for the state.
- With the Department of Education to determine how best to serve children with disabilities.
- With the Department of Environmental Management to provide Hoosier children safe and healthy day care facilities.
- With Indiana Tobacco Prevention and Cessation to discourage youth smoking and the sale of tobacco products to minors.
- With Department of Health, Department of Workforce Development and Department of Corrections to create a system that allows clients to see what state and local services they may be eligible through one intake.

FSSA also works with many private, non-profit and non-state public partners to help Hoosiers in various ways.

- With Indiana's 16 Area Agencies on Aging to assist seniors and individuals with disabilities lead independent, healthy lives.
- With Community Mental Health Centers to provide mental health services to Hoosiers in need.
- With prosecutors and Indiana's courts to protect children and to enforce and increase child support collections and payments.
- With Community Action Programs to help low-income Hoosiers locate and make the most of the services they need.
- With the facilitators of early intervention programs, such as Healthy Families and First Steps, to help families and children build strong, healthy homes – where Indiana's children can grow up in safe, healthy environments.
- With advocacy groups to ensure that FSSA provides the state's children, adults, elderly and individuals with disabilities the best possible care and treatment options.

Internally, FSSA's four divisions, as enumerated at the beginning of this document, are working closely together to provide Hoosiers the services they need.

Six Sigma

Six Sigma is a problem-solving business process tool FSSA is using to decrease its overall costs, reduce errors and wasted staff time and ensure the effective delivery of its services to Hoosiers the first time, every time. The fundamentals of Six Sigma – excellence, efficiency and quality – are the same principles FSSA will use to achieve its biennium priorities.

FSSA is already using Six Sigma tools to: reduce overtime at state hospitals, reduce improper payment of claims for the Aged and Disabled waiver, reduce the error rate in First Steps billings and improve the child support income withholding payment process. Other cost-savings projects are forthcoming.

FSSA selected Six Sigma because of its track record of success. Many Fortune 500 companies have saved millions using Six Sigma, including Motorola, Allied Signal and General Electric. FSSA is committed to recouping all money invested in employee training with real dollar savings from the successful completion of each Six Sigma project.

Consolidation

FSSA plans to continue to consolidate appropriations, a practice begun during the 1999-2001 biennium. This practice leads to more streamlined services for Hoosiers and greater cooperation between FSSA staff. FSSA is proposing to consolidate appropriations that are currently division specific (e.g., DMHA or DDARS) into appropriations that are service specific (e.g., community-based services or prevention services). These consolidations are consistent with FSSA service areas and FSSA's 2004-2005 priorities. These service areas are:

- Community-Based Services/Increased Independence,
- Prevention Services and
- Health and Safety Services.

With the cooperation of the State Budget Agency and the Auditor of State, one appropriation would now exist for a single service that before was funded through multiple appropriations from multiple fund centers. For example, the developmental disability client service dollars will merge with monies from the Community Mental Health Centers and FSSA's Division of Family and Children into one fund for community-based services. The result will be one appropriation for one service. Appropriations that fund services that are not specific to a service area will be consolidated into like areas (e.g., administration) or budgeted for and appropriated separately.

There would be no loss of identity for the monies allocated from each division. Appropriations used in these new streamlined fund centers would be tracked to determine their use.

Challenges for the 2004-2005 biennium

Transition to Home- and Community-Based Regional Services for Hoosiers

FSSA is committed to providing a continuum of care that is community-based and close to home whenever possible. As we develop eight regional service systems, an array of services will be available to people with developmental disabilities, mental illness and addiction problems, as well as the elderly. By emphasizing community- and home-based services, whenever appropriate, more Hoosiers can receive services and stay closer to their home. To make sure this happens, funds need to be directed away from institutions and into community-based services, which are often less expensive than institutional care.

Accommodating the 2002-2003 permanent reductions

During state fiscal year 2002, FSSA identified more than \$33 million in state money that it has permanently removed from its budget. In state fiscal year 2003,

FSSA identified an additional \$11 million it will permanently remove from its budget. Although the majority of these reductions did not directly affect clients currently receiving services from FSSA, they did remove the majority of the funding that we had received in the biennium to increase service delivery to persons on FSSA's various waiting lists and to provide services to those persons not receiving them.

FSSA continues to identify additional sources of funding through refinancing efforts, but Hoosiers' demands for services far exceed supply.

Increasing TANF caseloads

When Indiana's welfare reform initiative began, more than 70,000 families a month were receiving assistance. By putting work first and providing supports such as child care and job training, that caseload number dropped almost 50% between 1994 and 2000. Now, a weakened national economy has caused increasing caseloads - from a low of 37,000 a month in 1999 to more than 52,000 in June of 2002.

Temporary Assistance for Needy Families reductions

Because of a weakened economy, increasing caseloads noted above and stagnant federal funding, there is a \$60 million gap in the federal TANF budget starting in federal fiscal year 2003. This fact demands changes to the services FSSA provides Hoosiers. The TANF budget must provide basic cash assistance first - the average grant is \$235 a month - and the budget must be balanced.

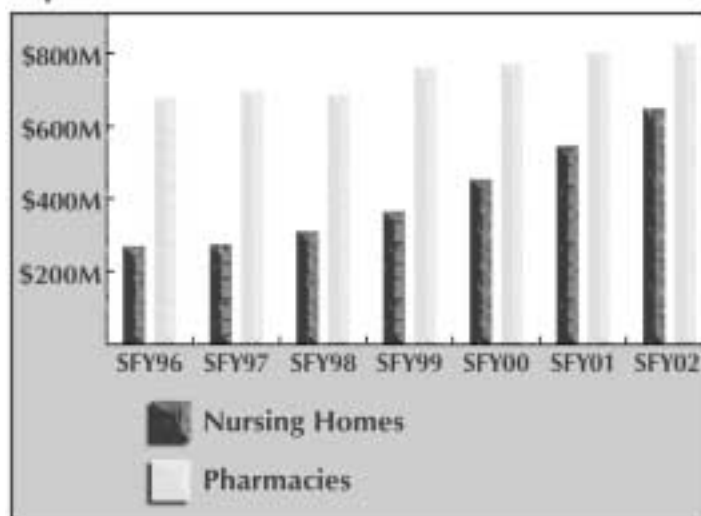
In order to live within the federal TANF allotment, reductions have been implemented throughout the program. Cuts were made to administrative accounts and contracts first. We are working to find new partners and alternative funding sources.

Increasing Medicaid costs

Medicaid could serve as many as one in seven Hoosiers by the end of the next biennium. Two of the largest cost drivers are prescriptions and nursing home care. From 1996 to 2001, the total number of Medicaid prescriptions increased 30 percent to 12.6 million and the average price per prescription increased 61 percent, from \$26.95 in state fiscal year 1996 to \$43.45 in state fiscal year 2001.

Nursing home care remains the largest Medicaid expenditure – about \$858.3 million for state fiscal year 2002

Medicaid Nursing Home and Pharmacy Expenditures



– and is increasing at an annual rate of about 5.5%. To date, more than \$53 million has been saved towards a target of \$250 million.

Congressional reauthorization

TANF reauthorization – Based upon initial proposals, no additional TANF federal funding is anticipated, although the proposals do include increased work participation and data collection requirements. Increasing the work requirements will put additional pressure on staff and resources to provide employment placement and support services. Failure to meet work participation rates may result in the loss of federal funding and an increase the State's funding responsibilities. An increase in data collection requirements may result in the need to modify current tracking systems.

Child Care and Development Block Grant (CCDBG) reauthorization

Federal and state child care spending through the CCDF has been on the rise since 1992; however, additional funding is needed to serve the increased number of TANF families trying to enter the workforce. It is unclear how much money will be appropriated to states after reauthorization, which could dramatically affect the number of low-income working families and children that can be served in Indiana. Additionally, changes to work requirements or other aspects of the TANF legislation will increase the demand for child care.

Unfunded federal and state mandates

The Health Insurance Portability & Accountability Act of 1996 will have a dramatic impact on FSSA's operations. Implementing these rules will establish data format and content standards for electronic transactions in the financing of health care and establish privacy and security standards for the protection of individually identifiable health information.

The cost estimate for non-Medicaid remediation efforts is about \$14.2 million in state funds. This includes privacy, transactions and code sets, security, training and legal cost estimates. The cost estimate for Medicaid remediation is estimated to be \$1.5 million in state funds.

In Closing

Our services at FSSA may affect one in seven Hoosiers – a number in the hundreds of thousands – but the work that each employee does remains personalized to the needs of the individual that they are working with at that particular moment. The dedication of FSSA employees is contagious.

As I review FSSA's accomplishments, and focus on our current goals and priorities, I can say that the budget we present to you today is reflective of our continued commitment to help all Hoosiers help themselves, to be independent, healthy and safe.

I look forward to the opportunity to discuss our presentation with you, the Governor's Office and the members of the General Assembly.

Sincerely,
/s

John Hamilton
Secretary

August 21, 2002

Ms. Marilyn Schultz, Director
State Budget Agency
Room 212, State House
Indianapolis, IN 46204

Dear Ms. Schultz:

The Family and Social Services Administration (FSSA) is pleased to submit the preventive maintenance and capital requests for its state operated facilities for the 2004-2005 biennium.

FSSA is committed to providing a continuum of care that is home-based or close to home whenever possible. FSSA also understands that not all of Indiana's citizens are able to receive services in their homes because of individual needs. Some of our citizens need very short-term intensive treatment for as little as a few weeks while others require a more permanent living arrangement – at a place where their treatment can be integrated into a setting as home-like as possible.

Because of the need for some institutional settings and also because of our desire to integrate needed services into the community as much as possible, FSSA continues to evaluate its facilities to determine their most appropriate use. FSSA, with the State Operated Facility council, has determined that there will be a need for eight regional service areas throughout Indiana. The first regional service area is being established in southeast Indiana, and we will start the regional planning process for northeast and central Indiana by the end of 2002. A new, smaller state facility is being designed in Madison and will serve both individuals with mental illnesses and those with developmental disabilities. Plans for the remaining regional service areas will follow sometime in 2004-2005.

With regional service areas in mind and reflecting current budget pressures, FSSA is presenting its preventive maintenance and capital budgets by requesting only the minimum amounts required to either maintain residents' safety at the facilities or to preserve the facilities so that more expensive repairs are not needed at a later date.

Listed below is a summary of the requests being made for each facility and a brief description of various other options that had been considered for the needs of the facility based on the estimated transition time to a regional service area.

Evansville Psychiatric Children's Hospital

The Family and Social Services Administration is submitting a preventive maintenance budget for the Evansville Psychiatric Children's Hospital in the amount of \$ 45,632 and a request for a life/safety contingency appropriation of \$50,000 to cover critical capital needs of the facility for the 2004-2005 biennium.

Evansville State Hospital

FSSA is assuming that in the 2004-2005 biennium, it will be operating a 168-bed facility. Our request to support this facility totals \$2,386,206 and includes \$756,756 for preventive maintenance and \$1,629,450 to close the old buildings, which are being closed in response to public and safety concerns.

Madison State Hospital

FSSA, working with the State Office Building Commission, is in the process of formulating the plans to convert the existing Madison State Hospital into a state facility for the southeast regional service area. It is anticipated that this facility will be ready for use during the 2004-2005 biennium. Because of this anticipated completion time, FSSA has only requested preventive maintenance funds of \$971,409 and a life and safety contingency fund of \$1 million in the event that there are critical repairs that must be made to the existing buildings during the regional service facility construction period.

Logansport State Hospital

The preventive maintenance and capital request of \$7,154,005 for Logansport State Hospital is required to maintain the existing facility and to do the following:

- Provide preventive maintenance funds, \$963,144
- Pay the biennium payment on the energy cost savings project, \$488,361
- Fund the furniture, fixtures and equipment for the new Isaac Ray Treatment Center building, \$1,050,000
- Replace the failing phone system, \$600,000
- Paint the water tower, \$250,000
- Replace the elevators in buildings 8, 17 and 32, \$484,000
- Replace the docks at buildings 30, 31 and 40, \$133,000
- Replace the floor tile in buildings 105 and 106, \$150,500
- Complete Phase 2 of the tunnel repair and replacement, \$1,500,000
- Repair structural issues in building 40A, \$165,000
- Repair to the HVAC control system in building 102, \$160,000
- Install emergency generators in buildings 105 and 106, \$1,210,000

Also, the State Office Building Commission has recommended that we discontinue maintaining several separate maintenance buildings and instead construct a new maintenance/storage building. The estimated cost of building a new maintenance/storage building is \$1.7 million, according to the SOBC. We will be asking the SOBC to include that in a future bonding authority. We will

also not be asking for the estimated \$418,000 that is needed to demolish building 28 at this time.

Richmond State Hospital

At Richmond State Hospital, FSSA is requesting a budget of \$1,210,724 for preventive maintenance and \$2,047,400 in funding for capital projects to rehabilitate the residential treatment dining area, to install an emergency generator, to replace a failing phone system and to make repairs to the roof on one of the historical buildings.

LaRue Carter Hospital

As was mentioned earlier in this letter, FSSA intends to begin planning in 2002 for a central regional service area. Because of this plan, FSSA is making the assumption that there will be a replacement facility in the central region sometime during the 2006-2007 biennium. While these plans are being developed, FSSA believes that it is prudent to continue only the preventive maintenance that is absolutely needed at an estimated cost of \$1,484,134 and to request a life and safety contingency fund of \$5 million for the facility to do emergency repairs that must be done until a new facility is constructed.

If FSSA had to maintain the facility for longer than the 2006-2007 biennium, we would anticipate the need for about \$37 million in funds with the majority of those funds being directed to the conversion of the facility from a "nursing home setting" into that of an active treatment setting. A replacement of the HVAC system and pipe replacement would also be necessary.

Muscatatuck State Developmental Center

It is the intent of FSSA to close Muscatatuck State Developmental Center during the 2004-2005 biennium. The southeast regional service area is being developed to accommodate those individuals currently receiving services at Muscatatuck. FSSA's preventive maintenance request of \$1,257,449 and the request for a \$4 million life and safety contingency fund is all that should be necessary to sustain services at Muscatatuck during the transition.

If FSSA was required to keep Muscatatuck State Developmental Center open for an indefinite period of time, then FSSA, in order to maintain the facility at a level that protects our Medicaid certification, would need about \$10.5 million in preventive maintenance and capital funds to do the following:

- Provide preventive maintenance funds of \$1,485,536
- Prepare a master plan for the facility, \$250,000
- Install new steam lines, \$1,000,000
- Make power house repairs, \$140,000
- Continue the preservation of buildings, \$750,000
- Replace the water lines in the central kitchen, \$160,000

- Replacement of air conditioners and water coolers, \$300,000
- Make HVAC renovations to buildings, \$360,000
- Install generators in buildings 5, 14, and 71, \$250,000
- Replace the roof on buildings 60 and 71, \$500,000
- Tuckpoint on buildings 12 and 23, \$75,000
- Install a new freezer, \$175,000
- Hold a life and safety contingency fee to cover emergency failures, \$5,000,000

Fort Wayne State Developmental Center

FSSA intends to begin planning in 2002 for a northeast regional service area. Because of this plan, FSSA is making the assumption that there will be a smaller replacement facility in the northeast region sometime during the 2006-2007 biennium. While these plans are being developed, FSSA believes that it is prudent to continue only the preventive maintenance that is absolutely needed at an estimated cost of \$1,424,803 and to request a life and safety contingency fund of \$5 million for the facility to do emergency repairs that must be done until a new facility is constructed.

If FSSA had to maintain the facility for longer than the 2006-2007 biennium, the BSA study that FSSA had completed in 2002 indicates a cost of \$38 million to repair and renovate the facility at the level necessary to maintain Medicaid certification. Although the BSA study is two years old, FSSA still feels that it would require at least \$38 million to rehab the existing facility.

FSSA General Capital Account

FSSA was required, per Senate Bill 148, to undertake energy savings projects. Projects under SB148 were established at LaRue Carter and at Richmond State Hospital. The biennial payments against those projects have traditionally been budgeted in the FSSA General Capital account. The payment for LaRue Carter is \$359,962 and the payment for Richmond is \$344,506.

Additionally, FSSA is requesting \$500,000 to contract for the creation of a master plan for all of the state-operated facilities and is requesting the traditional \$5 million in a contingency fund for the removal of asbestos, PCB's and to address Indiana Occupational Safety and Health Division, Environmental Protection Agency and Americans with Disabilities Act issues at all of the state-operated facilities.

In conclusion, during the upcoming biennium, FSSA will work to implement its plans to design a system of regionalized services around the state that push FSSA to make the most efficient use of the financial and physical resources of the State.

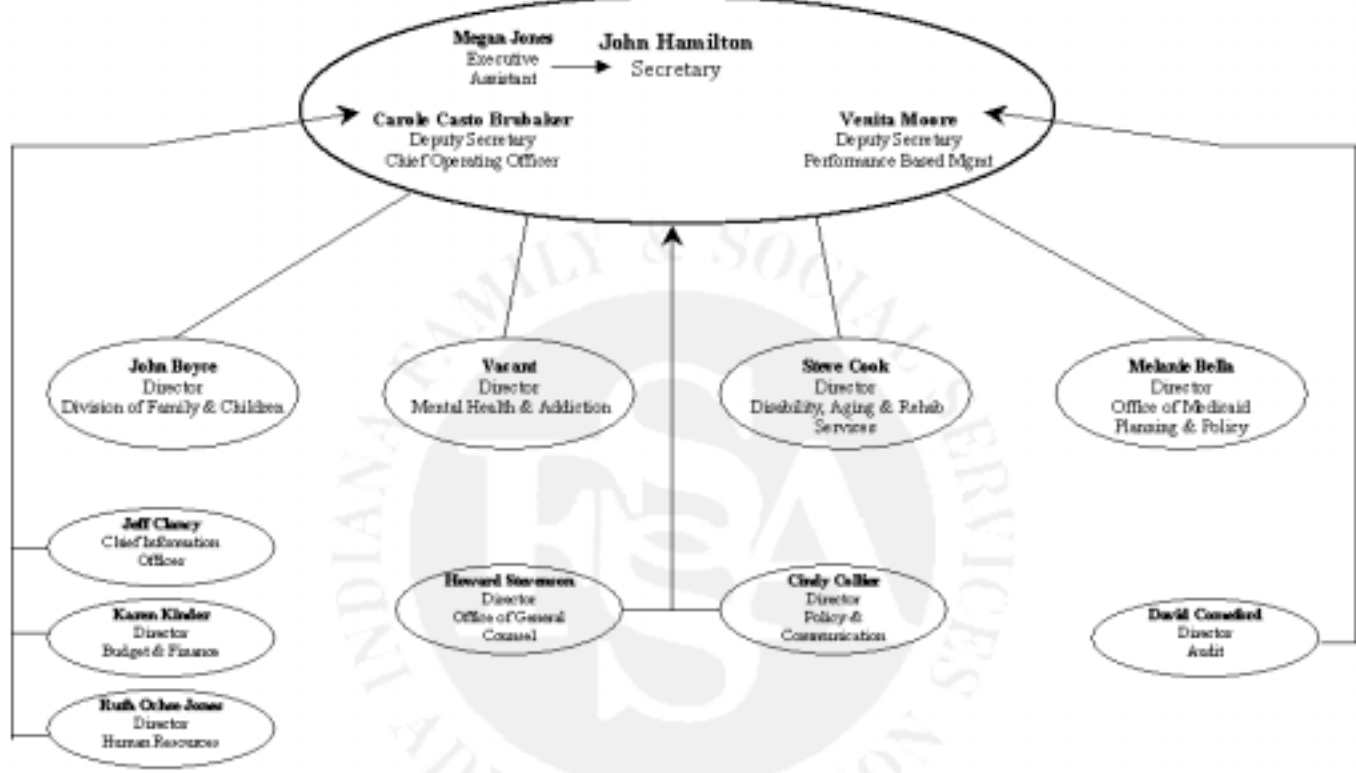
Thank you for the opportunity to present FSSA's capital budget request for the upcoming biennium. We look forward to our discussions with the State Budget Committee and other members of the General Assembly as we work through the appropriation process for the 2004-2005 biennium. Please let us know if we can provide any additional information.

Sincerely,
/s

John Hamilton
Secretary

ABOUT THE FAMILY AND SOCIAL SERVICES ADMINISTRATION

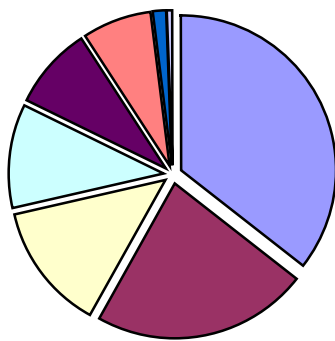
Family and Social Services Administration



WHO FSSA SERVES

Family & Social Services Administration 2004-2005 Biennial Budget Request

State General Fund Biennial Appropriations: \$1,486,844,432
(Excluding Medicaid Assistance)



\$529,829,608	Community-Based Services
\$334,433,756	State Operated Facilities
\$196,562,604	DFC County Administration
\$161,473,570	Healthy and Safe Services
\$128,661,146	Administration
\$107,249,624	Medicaid Services
\$22,244,124	Prevention Services
\$6,390,000	Aged/Blind/Disabled Exams

FSSA is a safety net for more than a million Hoosiers who need help with things like finding a job, getting in-home medical care, receiving child support or early intervention services to treat a disability. And much more.

COMMUNITY BASED SERVICES
\$529,829,608 in State Appropriation for the Biennium

- Serving the Seriously Mentally Ill - \$93 million per year provides services for 41,000 adults.
- Serving 20,600 Seriously Emotionally Disturbed Children a year with annual funding of \$16 million.
- CHOICE - \$49 million pays for services for 13,000 people.
- Developmental Disabilities Residential Services - \$43 million provides services for 11,000 people.
- Developmental Disabilities Day Services - \$22 million provides services for 4,000 people.
- Vocational Rehabilitation Services - \$15 million a year funds training for 5,000 Hoosiers who want to work and need assistance and training.

In addition to the state-funded services, FSSA has federal and/or dedicated funding for:

- Federal Title III Elderly Services – 148,000 people receive home delivered and congregate meals and employment services.

STATE OPERATED FACILITIES
\$334,433,756 in State Appropriation for the Biennium

- Six Mental Health and Addictions Hospitals - \$122 million per year provided treatment for 2,300 Hoosiers who needed inpatient care.
- Two State Developmental Centers - \$45 million per year provides care for about 175 residents at Muscatatuck State Developmental Center and 294 at Fort Wayne State Developmental Center.

DIVISION OF FAMILY AND CHILDREN COUNTY ADMINISTRATION
\$196,562,602 in State Appropriation for the Biennium

- 1,600 Public Assistance caseworkers who served 56,000 families receiving TANF.
- 730 Child Welfare caseworkers respond to and investigate child abuse and neglect complaints. The abuse and neglect hotline receives more than 60,000 calls a year.

HEALTHY AND SAFE SERVICES
\$161,473,570 in State Appropriation for the Biennium

- Child Care Services - \$34 million per year from this account. State and federal funds support child care services for 48,000 children and their families.
- Temporary Assistance to Needy Families - \$31 million per year supports almost 56,000 Hoosier families – an increase from a low of 36,000 families two years ago.
- Residential Care Assistance Program - \$11 million per year funds 1,800 peoples' care.

In addition to these state funded services, FSSA has federal and/or dedicated funding for:

- Energy Assistance for 117,000 people and Weatherization Services for 5,000 people.

ADMINISTRATION

\$128,661,146 in State Appropriation for the Biennium

- This appropriation supports administrative services including technology services for FSSA's 10,242 employees, down almost 400 from last year despite significant caseload increases.

MEDICAID SERVICES

\$107,249,624 in State Appropriation for the Biennium

(excludes Medicaid Assistance)

- Children's Health Insurance Program – served 83,000 children in FY 2002
- Hoosier Rx helps low-income seniors pay for their medications. The goal for the 2004-2005 biennium is to serve 30,000 in this program.

PREVENTION SERVICES

\$22,244,124 in State Appropriation for the Biennium

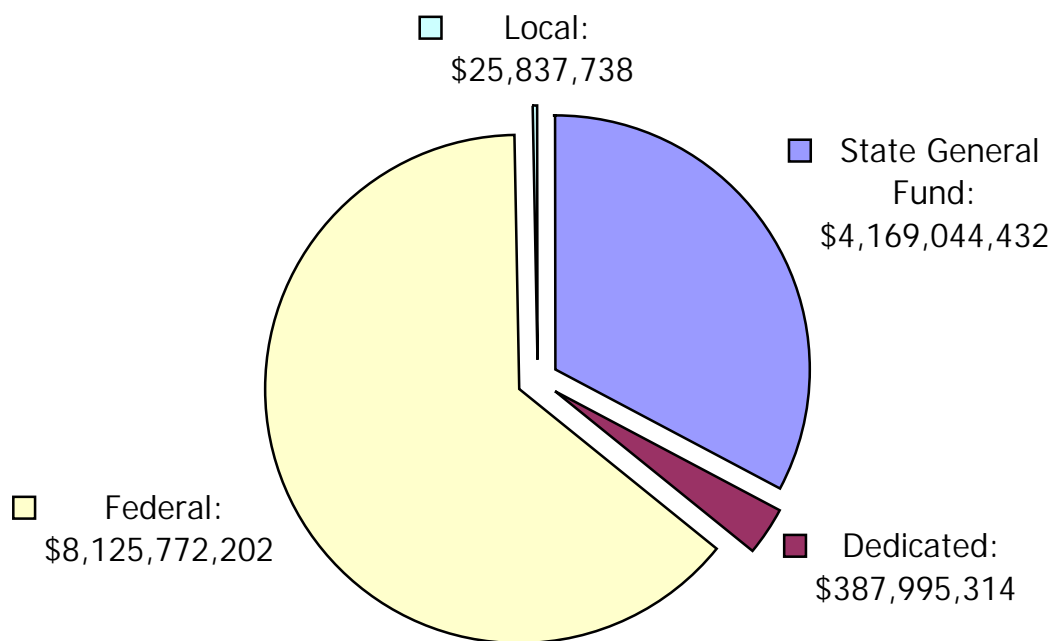
- IMPACT TANF - \$6 million per year pays for job training for about 2,600 people every month.
- IMPACT Food Stamps - \$2.5 million per year helps approximately 10,000 families a month.
- Adult Protective Services - \$2 million per year helped pay for staff to respond to 13,000 cases last year.

In addition to these state-funded services, FSSA has federal and/or dedicated funding for:

- Healthy Families – This voluntary home visitation program provided help to more than 24,000 families last year. Indiana is one of two states named a National Center of Excellence.
- Early Intervention/First Steps – At the close of 2002, this program for children at risk of or with developmental delays served more than 18,200 infants and toddlers.

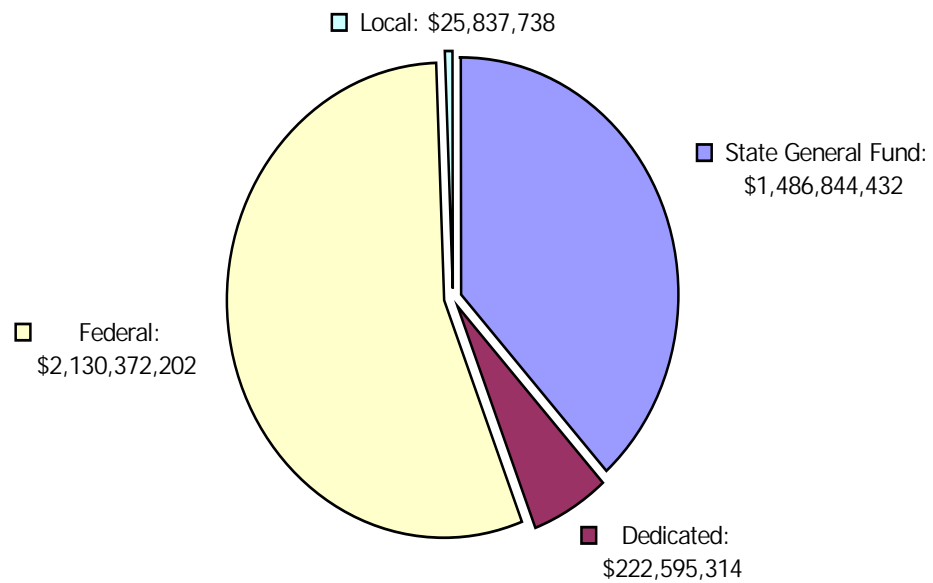
Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

All FSSA Appropriations: \$ 12,708,649,686 (biennium total)



Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

All FSSA Appropriations, excluding Medicaid Assistance:
\$3,865,649,686 (biennium total)



Family and Social Services Administration
FY 2002 Budgeted Dollars
(Top 50 Programs, In Descending order by Total Appropriations)

<u>Program Name</u>	<u>Total Appropriations (millions)</u>	<u>State Appropriations (millions)</u>	<u># of Clients Served (Unduplicated Count of April, 2002)</u>	<u>Estimated Annual Per-Client Cost</u>
1 Medicaid Assistance	\$ 3,600.0	\$ 1,400.0	610,000 Individuals	\$ 5,902
2 Child Care	221.0	33.1	45,410 Children	4,867
3 County Administration	184.0	95.8	63,032 Cases	2,919
4 Temporary Assistance to Needy Families	116.0	39.3	137,980 Individuals	841
5 Children's Health Insurance Program	97.8	26.0	50,000 Children	1,956
6 Seriously Mentally Ill	95.1	90.6	27,778 Adults	3,424
7 Medicaid Administration	83.9	41.9	610,000 Individuals	138
8 Voc Rehab Operating	73.8	15.7	32,378 Recipients	2,279
9 Early Intervention - Services	65.6	4.7	17,175 Children	3,820
10 Res. Serv. for Dev. Dis.	63.3	63.3	3,315 Individuals	19,095
11 Muscatatuck State Dev. Center	54.2	54.2	200 Individuals	271,000
12 Community Home Care (CHOICE)	48.3	48.3	9,500 Individuals	5,084
13 Fort Wayne State Dev. Center	47.8	47.8	346 Individuals	138,150
14 Healthy Families	40.9	-	50,000 Screenings	818
15 Social Svcs. Block Grant Dev. Disabilities	38.6	16.2	6,600 Adults	5,848
16 Logansport State Hospital	38.0	31.1	324 Individuals	117,284
17 Energy Assistance Program	37.3	-	172,488 Households	216
18 Child Support	36.4	12.4	528,208 Cases	69
19 SAPT Block Grant	33.2	-	14,250 Individuals	2,330
20 Foster Care	33.0	-	3,594 Children	9,182
21 Richmond State Hospital	32.2	26.4	290 Individuals	111,034
22 Impact-TANF	31.8	15.9	22,170 Cases	1,434
23 Welfare Tax Repl. Fund	28.9	26.9	Not applicable	n/a
24 Disability Determination	28.8	-	68,000 Recipients	424
25 Madison State Hospital	27.8	22.8	154 Individuals	180,519
26 Evansville State Hospital	27.8	22.8	187 Individuals	148,663
27 Adoption Assistance	27.5	6.3	5,612 Children	4,900
28 Pharmacy Drug Program	25.5	-	15,000 Recipients	1,700
29 Ind. Support Enforcement Tracking Sys.	23.0	23.0	528,208 Cases	44
30 Larue Carter Memorial Hospital	22.2	18.2	142 Individuals	156,338
31 Family & Social Svc. Admin.	21.7	15.2	Not applicable	n/a
32 Indiana Client Eligibility System	19.5	9.7	Not applicable	n/a
33 TANF Administration	19.3	-	137,980 Individuals	140
34 Housing	17.5	-	3,702 Households	4,727
35 Seriously Emotionally Disturbed	14.9	14.9	8,973 Children	1,661
36 CHIP Administration	13.4	3.5	50,000 Children	268
37 Indiana Child Welfare Info. System	12.6	8.5	10,000 Children	1,260
38 Social Svcs. Block Grant DFC	12.3	3.9	Not applicable	n/a
39 Residential & County Homes (RCAP)	11.4	11.4	1,711 Recipients	6,663
40 Title XX-Aging & In Home Svcs.	10.6	3.9	42,812 Individuals	248
41 Impact Food Stamp	9.8	4.9	23,387 Cases	419
42 Substance Abuse Treatment	5.5	5.5	2,813 Individuals	1,955
43 Community Services Block Grant	9.4	-	237,193 Households *	40
44 Mental Health Block Grant	8.2	-	3,637 Individuals	2,255
45 Child Welfare IV-B Part 1	7.5	-	10,000 Children	750
46 Early Intervention - Administration	7.4	1.6	17,175 Children	431
47 State Administration	7.3	7.3	Not applicable	n/a
48 Residential Services Case Mgt.	6.7	5.7	3,385 Individuals	1,979
49 Electronic Benefit Transfer	5.0	1.9	161,367 Individuals	31
50 Weatherization	4.4	-	1,501 Households	2,931
TOTAL Top 50 FSSA Programs	\$ 5,508.1	\$ 2,280.6		
TOTAL Remaining Programs	\$ 99.4	\$ 30.7		
GRAND TOTAL (millions of \$)	\$ 5,607.5	\$ 2,311.3		

Top 50 FSSA Staffed Offices as of June, 2002

<u>Office Type</u>	<u>Office Count</u>
Ft Wayne State Dev Center	1,102
Muscatatuck State Dev Center	881
Logansport State Hospital	740
Richmond State Hospital	629
FSSA DFC Marion County	557
FSSA DFC Lake County	549
Madison State Hospital	514
Evansville State Hospital	478
Central Office - FSSA	455
Central Office - DFC	438
Central Office - DDARS	435
Larue Carter Memorial Hospital	311
FSSA DFC Allen County	220
FSSA DFC St Joseph County	194
FSSA DFC Vanderburgh County	151
FSSA DFC Delaware County	103
FSSA DFC Elkhart County	96
FSSA DFC Madison County	94
FSSA DFC Vigo County	87
FSSA DFC LaPorte County	76
FSSA DFC Clark County	75
FSSA Indianapolis VR	69
FSSA DFC Wayne County	62
Evansville Psych Children's Center	61
FSSA DFC Grant County	58
Central Office - DMHA	57
FSSA DFC Howard County	56
FSSA DFC Tippecanoe	55
FSSA DFC Porter County	54
FSSA DFC Monroe County	54
FSSA DFC Floyd County	53
FSSA DFC Bartholomew County	48
FSSA DFC Knox County	39
FSSA DFC Henry County	39
FSSA Ft Wayne VR	36
FSSA DFC Johnson County	33
FSSA DFC Morgan County	29
FSSA DFC Lawrence County	28
FSSA DFC Cass County	28
FSSA Anderson VR	28
FSSA DFC Jefferson County	27
FSSA DFC Warrick County	25
FSSA DFC Scott County	25
FSSA DFC Hamilton County	25
FSSA DFC Shelby County	24
FSSA DFC Jennings County	23
FSSA DFC Jackson County	23
FSSA DFC Greene County	23
FSSA DFC Dearborn County	23
FSSA DFC Harrison County	22
FSSA DFC Fayette County	22
Total Top 50	9,334
Remaining Offices	1,088
Total All Offices	10,422

CURRENT YEAR PRIORITIES

Description	Biennium Goal for June 30, 2002	Progress as of 6/30/02	Progress as of 9/30/02
FSSA will Build capacity	2,000 people with DD	619	725
	3,000 elderly	813	932
	480 people with mental illness	225	708
	500 children & youth	87	425
FSSA will Redirect resources	For 50% (300) state-operated DD beds	98	98
	For 10% (130) nursing facilities bed for DD	19	19
	Divert 1,000 elderly	8	23
	For 240 state-operated MI beds	211	174
	For 500 children & youth	70	91
FSSA will develop & implement measurable standards		Standards developed on time	Monitoring & analyzing standards
FSSA will work to make sure children are healthy...	Conduct Healthy Families Screening for 90%	56% of births	58% of births
	Offer Healthy Families to 100% at risk of abuse	56% have been offered services	92% have been offered services
	Increase First step Enrollment to 18,000 children	17,466	17,950
FSSA will help families be self-sufficient	TANF –increase earnings by 15%	Estimated 16% for two-parent; 15% for single household	Estimated 16% for two-parent; 15% for single household
	Increase child care slots by 10%	2,811 slots	12,575 slots or 12% increase
	Develop & implement 3 pilots	Pilots on-going in Marion, Scott & Allen	Pilot development continue w/Common Front End concept moving forward
FSSA will contain cost & generate revenue	Reduce Medicaid by \$250 million	\$53 million (est)	\$53 million (est)
	Achieve FSSA saving (non-Medicaid) \$150 million	\$60 million	\$60 million
	Increase grant funding by \$1 million	\$3 million	\$3million
	Increase other federal support by \$30 million	\$11 million	\$11 million
FSSA will continue to improve accountability	Reduce social security disability determination backlog below national average	No backlog in cases pending for initial review	No backlog in cases pending for initial review
	100% of contracts on time, with performance standards	89% on time; effective 7/1/02 all new contracts have performance stds	98%
	Audit 25% of providers per year	On-target with \$458,091 collected	On-target with \$477,427.50 collected

**STATE FISCAL YEARS
2002-2003 BUDGET REDUCTIONS**

**Family and Social Services Administration
State Fiscal Year 2003 Budget Reductions
STATE FUNDS ONLY**

	<u>FY03 State Appropriation</u>	<u>Permanent Reductions</u>	<u>One-Time Reductions</u>	<u>Voluntary Reductions</u>	<u>Total FY03 Reductions</u>
Division of Family & Children					
<u>Family Support Services</u>					
TANF	37,357,943	6,000,000	1,000,000		7,000,000
Child Care Services	33,670,756				-
Food Assistance	146,000				-
Burial Assistance	25,000				-
<u>Family Development Services</u>					
Education and Training	10,963,723	500,000			500,000
Youth Services	1,250,000				-
Prevention Services - Children	6,583,433				-
<u>Family Preservation/Adoption</u>					
Violence Prevention	1,000,000				-
Foster Care 3500-185700					
Adoption Services	7,279,087		600,000		600,000
SSBG - DFC	1,475,214				-
Title 20 - Aging & Comm Services					
SSBG State Supplement 1000-101300					
<u>Administrative Support Services</u>					
Commission for Status of Black Males	125,859			5,382	5,382
DFC - Central Office Administration	7,327,227	50,000		65,891	115,891
DFC - County Office Administration	97,055,064	1,050,000	2,859,000		3,909,000
SSBG - DFC 3520-150000	12,404,090				
Child Support	3,874,724	50,000		19,536	69,536
Child Welfare	537,560				-
Info. Systems Technology	16,854,438	4,500,000	992,592	706,330	6,198,922
<u>Other Services</u>					
Welfare Tax Levy Replacement Fund			6,350,000		6,350,000
SSBG - Department of Health	228,376				-
SSBG - Department of Corrections	1,622,607				-
Total DFC	239,781,101	12,150,000	11,801,592	797,139	24,748,731
Division of Disabilities, Aging & Rehabilitative Services					
<u>Administration</u>					
DDARS Administration	764,249	764,249			764,249
<u>Community and Residential Services</u>					
DD Client Services	88,484,107	13,140,851	6,500,000	36,609	19,677,460
Residential Services/DD					
Diagnosis and Evaluation/DD					
DD Administration					

Aging and Disability Services	17,760,082	828,333	-	36,314	864,647
Residential Care/Aging CHOICE	48,683,904	2,700,000		12,040	2,712,040
SSBG - DDARS	1,615,017				-
<u>Employment Services</u>					
Vocational Rehabilitation	16,550,530	1,151,641	2,000,000	104,907	3,256,548
Blind Vending	151,212	20,580		720	21,300
Deaf and Hard of Hearing	529,966	39,098		6,363	45,461
Independent Living	22,222				-
ATTAIN Project	355,500				-
<u>State Operated Facilities</u>					
State Operated Facilities	48,091,541	975,000	-	1,194,141	2,169,141
Total DDARS	223,008,330	19,619,752	8,500,000	1,391,094	29,510,846

Division of Mental Health & Addictions

DMHA Administration	2,531,212	90,000	1,000,000	85,140	1,175,140
Quality Assurance/Research	1,296,976	414,000	100,000		514,000
Substance Abuse Treatment	5,500,000	494,000	75,000		569,000
Seriously Mentally Ill	94,693,491	798,707	75,000		873,707
Seriously Emotionally Disturbed	14,985,578		160,000		160,000
State Operated Facilities	121,651,400	2,498,523	-	662,266	3,160,789
Total DMHA	240,658,657	4,295,230	1,410,000	747,406	6,452,636

FSSA Administration (includes Step Ahead)

Step Ahead	2,923,833	500,000	200,000	25,951	725,951
FSSA General Administration	19,955,184	6,796,689	1,511,447	15,722	8,323,858
Total FSSA and Step Ahead	22,879,017	7,296,689	1,711,447	41,673	9,049,809

Medicaid Services (excludes Medicaid Assistance)

Old Age, Blind, Disabled Burials\Exams	3,195,000				-
OMPP Administration	4,005,706	30,000		83,393	113,393
Medicaid Administration	32,000,000		1,495,962		1,495,962
Total Medicaid	39,200,706	30,000	1,495,962	83,393	1,609,355

Total FSSA (excl. Medicaid Assistance)	765,527,811	43,391,671	24,919,000	3,060,705	71,371,376
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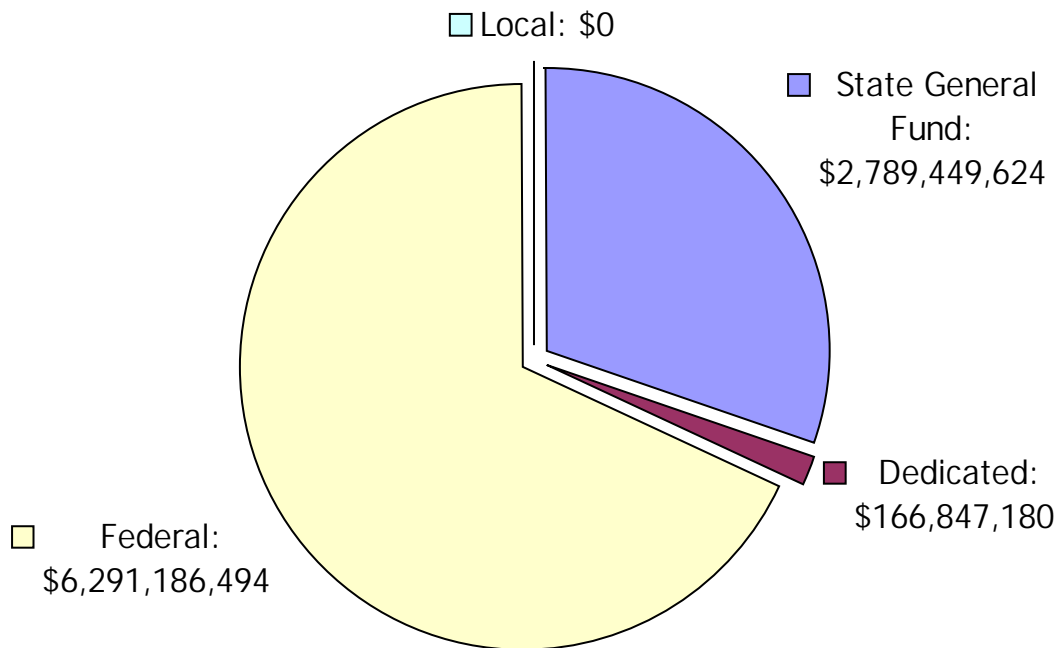
2004-2005 PRIORITIES

	KIDS	ADULTS AND FAMILIES	SENIORS
COMMUNITY/ HOME-BASED SERVICES, INDEPENDENCE	Increase community/home service capacity for troubled children by 550	Continue to increase community/home service capacity for people with developmental disabilities and people with severe mental illness	Increase community/home service capacity for the elderly by 1,000
PREVENTION	<p>Conduct screenings for 90% of Hoosier births, offering services to 100% of at-risk families, with 99% of participants with no substantiated abuse or neglect annually</p> <p>Offer First Step services to 100% of eligible children, with 95% of children leaving First Steps with verified increased functional abilities</p>	<p>Earnings – increase earnings and savings of TANF recipients by 15%</p> <p>FSSA will meet or exceed the national average for people with disabilities competitively employed and increase the number of individuals with severe mental illness and/or addictions placed in supported employment.</p>	Help 15,000 Hoosiers acquire new long-term-care insurance policies
HEALTHY AND SAFE	<p>Preventive care – increase the number of children on Hoosier Heathwise receiving well visits. Standards are: 5 visits, birth to 15 months 2 annual visits, ages 2-5 1 annual visit, ages 6-10</p>	In four critical diseases, achieve specific clinically measurable improvements annually for Medicaid population: Asthma, Congestive Heart Failure, Diabetes, and HIV/AIDS	Increase the number of seniors receiving prescription drug benefits under HoosierRx to 30,000
ACCOUNTABILITY FSSA will publish, implement, and operate with measurable standards to assess quality of services provided FSSA will be rated in top five nationally for efficient use of information technology in social services agency			

**STATE FISCAL YEARS
2004-2005 BUDGET REQUEST**

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

Medicaid Services: \$9,247,483,298 (biennium total)



The Medicaid budget will realize \$250M in state savings in the current biennium. By controlling costs, reducing fraud and ensuring appropriate access to Medicaid services, the more than 800,000 Hoosiers expected to be served by Medicaid in the next biennium will receive high quality cost-effective services.

Medicaid is also working in partnership with FSSA divisions to increase the number of Hoosiers receiving services at home or in their local communities. Other goals include reducing nursing home costs by raising minimum occupancy standards and controlling pharmacy costs by implementing a preferred drug list. Prevention efforts through Hoosier Healthwise will also improve health outcomes and reduce costs.

Assistance is needed to close loopholes that allow Medicaid to serve Hoosiers with other financial resources.

EXPENDITURE FORECAST: FY 2000 - FY 2005											
MEDICAID AND CHIP PROGRAMS											
Submitted with Data through October 2002 (State and Federal Dollars in Millions)											
EXPENDITURES	Incurred Claims Basis										
	FY 2000	Growth	FY 2001	Growth	FY 2002	Growth	FY 2003	Growth	FY 2004	Growth	FY 2005
Non-Long Term Care Services											
Hospital -- Inpatient and Outpatient	\$494.0	12.8%	\$557.2	2.8%	\$572.9	(5.5%)	\$541.6	11.0%	\$601.1	9.9%	\$660.6
Inpatient Psychiatric	34.1	(4.3%)	32.6	12.4%	36.7	8.4%	39.7	14.3%	45.4	13.9%	51.7
Drugs	457.4	20.1%	549.3	18.5%	650.7	(1.2%)	642.9	14.1%	733.3	18.0%	865.7
Physician Services	160.5	17.1%	188.0	18.8%	223.4	(5.6%)	210.9	11.6%	235.4	12.4%	264.5
Lab and X-ray Services	25.5	12.2%	28.6	13.5%	32.4	(2.5%)	31.6	11.8%	35.4	11.8%	39.5
Dental	88.3	21.3%	107.1	16.0%	124.3	11.2%	138.2	(1.9%)	135.5	9.9%	148.9
Home Health Services	48.8	4.9%	51.2	3.3%	52.9	5.3%	55.7	7.9%	60.1	7.9%	64.8
Mental Health Services	31.2	12.1%	35.0	15.5%	40.4	0.8%	40.7	12.5%	45.8	12.7%	51.7
Other Services	137.7	14.5%	157.6	15.1%	181.3	4.5%	189.4	13.2%	214.5	12.8%	242.0
Subtotal - Non-LTC	\$1,477.4	15.5%	\$1,706.5	12.2%	\$1,915.0	(1.3%)	\$1,890.7	11.4%	\$2,106.5	13.4%	\$2,389.4
Capitation Payments and PCCM Fees											
Capitation Payments	149.1	5.3%	157.0	41.9%	222.8	63.4%	364.1	9.5%	398.6	8.8%	433.5
PCCM Fees	8.3	24.5%	10.4	6.1%	11.0	(20.4%)	8.8	35.8%	11.9	4.5%	12.4
Subtotal - Other Non-LTC	\$157.4	6.3%	\$167.4	39.7%	\$233.8	59.5%	\$372.9	10.1%	\$410.4	8.6%	\$445.9
Total Non-LTC Payments	\$1,634.8	14.6%	\$1,873.9	14.7%	\$2,148.7	5.3%	\$2,263.6	11.2%	\$2,516.9	12.6%	\$2,835.3
Long Term Care Services - Institutional											
Nursing Facility	\$774.1	5.1%	\$813.5	3.5%	\$842.0	(5.5%)	795.8	2.5%	815.3	5.0%	856.1
ICF/MR	279.5	8.2%	302.3	9.9%	332.2	2.7%	341.4	0.9%	344.4	4.4%	359.7
Small Group / Private Facilities	233.5	7.3%	250.6	(2.7%)	243.9	2.0%	248.7	(2.6%)	242.2	2.2%	247.6
State Facilities	46.0	12.5%	51.8	70.6%	88.3	4.9%	92.7	10.3%	102.2	9.7%	112.1
Total Cost (Subtotal - LTC)	\$1,053.6	5.9%	\$1,115.8	5.2%	\$1,174.3	(3.2%)	\$1,137.1	2.0%	\$1,159.8	4.8%	\$1,215.8
Medicare Buy-In	\$60.3	11.0%	\$67.0	2.1%	\$68.3	14.2%	\$78.0	13.7%	\$88.7	12.8%	\$100.1
HCI	42.3	10.6%	46.8	3.3%	48.3	4.6%	50.6	5.0%	53.1	5.0%	55.8
Disproportionate Share Payments	133.4	(15.8%)	112.3	31.1%	147.2	(28.3%)	105.5	(10.7%)	94.2	2.0%	96.1
Rebates and Collections	(\$106.7)	20.1%	(\$128.1)	33.2%	(\$170.7)	(1.2%)	(\$168.7)	18.5%	(\$199.9)	16.7%	(\$233.3)
Additional Cost Containment Savings	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	(\$14.8)	77.6%	(\$26.2)
Total Expenditures - Medicaid GF Assistance	\$2,817.7	9.6%	\$3,087.7	10.6%	\$3,416.2	1.5%	\$3,466.1	6.7%	\$3,698.0	9.3%	\$4,043.6
Mental Health Rehab	132.8	20.2%	159.6	17.1%	186.9	22.1%	228.2	16.1%	265.0	14.3%	302.8
Home/Community Based Waivers	104.1	28.0%	133.2	31.6%	175.3	58.0%	276.9	32.2%	366.2	17.9%	431.7
ARCH	6.0	(7.9%)	5.5	(6.7%)	5.2	6.7%	5.5	0.0%	5.5	0.0%	5.5
Total Expenditures	\$3,060.6	10.6%	\$3,386.0	11.7%	\$3,783.6	5.1%	\$3,976.7	9.0%	\$4,334.7	10.4%	\$4,783.6
Medicaid Assistance (Incl. ARCH)	2,998.3	10.7%	3,318.0	12.0%	3,715.6	5.0%	3,900.0	8.9%	4,248.1	10.3%	4,685.6
CHIP Assistance	62.4	9.0%	68.0	0.1%	68.0	12.7%	76.7	12.9%	86.6	13.2%	98.0
Total - Assistance State Share	1,155.9	10.6%	1,278.9	11.8%	1,430.0	5.1%	1,502.4	9.0%	1,637.3	10.3%	1,806.6

Notes:

- Other Non-LTC services includes DME, Transportation, Chiropractor, Hospice, Optometry, Dialysis and Other services.
- Rebates and Collections includes third party liability recoveries, prescription drug rebates, and Package C premiums.
- Additional Cost Containment Savings includes: Disease management savings and Other PBM Savings.
- The OBRA '90 pharmacy rebate was increased from 18.5% to 21% starting in FY2002.
- The following cost containment measures have been reflected in this forecast:
 - Hospital Reimbursement Rebasing
 - Mandatory Risk Based Managed Care
 - Nursing Home Inflationary Reduction Factor & Direct Care Pro
 - Nursing Home Minimum Occupancy - 65% and 75%
 - Nursing Home Other (behold, case mix, crossover claims)
 - Pharmacy (AWP, MAC, Dispensing Fees, Copays)
 - Pharmacy - Preferred Drug List and Other PBM Savings
 - Dental Cap & Other Policy Changes
 - Continuous Eligibility Revisions
 - Non-LTC Medicare Crossover Reimbursement
 - Disease Management and Case Management
 - Medicaid Select ABD-PCCM Program
 - New Collection Initiatives
 - Eligibility Loopholes

FUNDING SOURCES: SFY 2002 - SFY 2005 MEDICAID AND CHIP PROGRAMS (State Dollars in Millions)							
	SFY '02	Growth	SFY '03	Growth	SFY '04	Growth	SFY '05
Forecasted Expenditures - State Share	\$1,433.4	4.9%	\$1,503.6	8.8%	\$1,636.2	10.0%	\$1,800.3
State Interfund Transfers							
HCI Fund Transfer	(\$40.1)		(\$40.9)		(\$41.9)		(\$42.9)
Med. Indigent Care Trust Fund	(\$15.6)		(\$21.0)		(\$25.0)		(\$25.0)
CHIP Transfer	(\$18.1)		(\$20.4)		(\$23.1)		(\$25.8)
Div. Disability, Aging and Rehab Services							
<i>Group Home Day Services</i>	(\$7.4)		(\$7.4)		(\$7.4)		(\$7.4)
<i>In-Home Services (CHOICE)</i>	(\$5.6)		(\$5.6)		(\$5.6)		(\$5.6)
<i>Developmentally Disabled Client Services</i>	(\$33.8)		(\$37.3)		(\$63.6)		(\$80.4)
Division of Mental Health							
<i>Community Mental Health Rehab Option</i>	(\$65.8)		(\$78.9)		(\$93.1)		(\$106.6)
<i>State Institution DSH Transfers</i>	(\$53.2)		(\$40.1)		(\$35.6)		(\$36.1)
Medicaid ICF/MR Assessment Account	(\$13.4)		(\$14.7)		(\$14.1)		(\$14.1)
County Medical Assistance to Wards	(\$12.1)		(\$12.7)		(\$13.3)		(\$14.0)
Interfund Transfers	(\$264.9)		(\$279.0)		(\$322.6)		(\$357.9)
Revenue (One-Time and Ongoing)	(\$62.8)		(\$27.7)		(\$22.7)		(\$23.2)
Cash Adjustment	(\$4.5)		(\$6.8)		\$1.4		(\$13.8)
Additional Cost Containment/Adjustments^{1,2,3,4}	\$7.3		\$17.5		(\$5.6)		(\$10.0)
Forecasted Expenditures - Medicaid GF Assistance	\$1,108.5		\$1,207.6		\$1,286.7		\$1,395.5
GF Appropriation	\$1,132.0	6.9%	\$1,209.6	6.4%	\$1,286.7	8.5%	\$1,395.5
Shortfall/Surplus	\$23.5		\$2.0		\$0.0		\$0.0

1. The 2002 Additional Cost Containment/ Adjustment is composed of the \$6.8 million beginning balance deficit from SFY 2001 closeout and \$.5 million used to pay salaries for the disability expansion.

2. The 2003 Additional Cost Containment/Adjustment reflects additional expenses estimated at \$17.5 million for pharmacy benefit management, disease/case management and managed care for aged, blind and disabled recipients.

3. The 2004 Additional Cost Containment/Adjustment is composed of \$2.5 million in savings for disease/case management and \$3.1 million in savings for other pharmacy related PBM initiatives.

4. The 2005 Additional Cost Containment/Adjustment is composed of \$7.1 million in savings for disease/case management and \$2.9 million in savings for other pharmacy related PBM initiatives.

5. The additional expenditures referenced footnote 2 above are assumed to be included in the Medicaid Administration account for the '04 - '05 biennium.

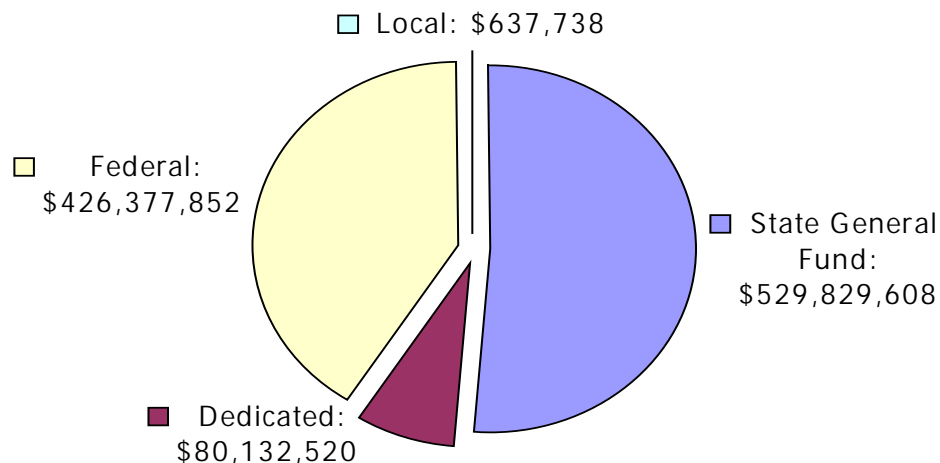
6. This forecast does not include Mental Health Rehab Option (MRO) Expansion, Department of Education waivers or eligibility for Silvercrest and Soldiers and Sailors. Although those would be additional expenditures and would increase overall Medicaid expenditures, assuming they are pass-throughs for Medicaid, they would not have a net effect on the Medicaid Assistance expenditures/appropriation.

7. Paid claims are greater than incurred claims in SFY '04 because there is an extra Tuesday in the year. Claims are paid on Tuesdays by our fiscal agent.

State of Indiana Office of Medicaid Policy and Planning Cost Containment Impact Analysis (State Dollars)							
	Projected Expenditures (Millions)						
	<u>FY 2002</u>	<u>Increase</u>	<u>FY 2003</u>	<u>Increase</u>	<u>FY 2004</u>	<u>Increase</u>	<u>FY 2005</u>
Including Cost Containment							
Subtotal State Share Only	\$ 1,132.0	6.9%	\$ 1,209.6	6.4%	\$ 1,286.7	8.8%	\$ 1,399.5
Itemized Cost Containment Savings							
Hospital Rebasing	\$ 7.8		\$ 10.2		\$ 11.4		\$ 12.5
Mandatory Risk Based Managed Care	0.4		3.6		6.2		8.5
Nursing Home Inflationary Reduction Factor	-		11.1		11.1		11.2
Nursing Home Direct Care Profit Add On	-		11.3		11.3		11.4
Nursing Home Minimum Occupancy 65%	-		3.5		3.5		3.5
Nursing Home Minimum Occupancy 75%	-		-		6.6		9.3
Nursing Home Other	1.5		15.5		15.9		16.0
Pharmacy (AWP, MAC, Dispensing Fees, Copays)	1.1		15.4		17.9		21.1
Pharmacy - Preferred Drug List	-		3.9		8.5		10.0
Pharmacy - Other PBM Savings	-		-		3.1		2.9
Dental Cap & Other Policy Changes	-		1.5		8.2		9.5
Continuous Eligibility Revisions	-		15.8		21.6		23.5
Non-LTC Medicare Cross-over Reimbursement	-		22.9		25.2		27.6
Disease Management and Case Management	-		-		2.5		7.1
Medicaid Select ABD-PCCM Program	-		(0.2)		2.9		3.7
New Collection Initiatives	-		-		3.1		3.3
Eligibility Loopholes	-		7.3		7.3		7.3
Total Cost Containment	\$ 10.8		\$ 121.8		\$ 166.3		\$ 188.3
Excluding Cost Containment	\$ 1,142.8	16.5%	\$ 1,331.4	9.1%	\$ 1,453.0	9.3%	\$ 1,587.8

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

Community-Based Services: \$ 1,036,977,718
(biennium total)



As part of its Key Biennium Priorities, FSSA will create new home- and community-based capacity for persons with mental illness, children, seniors and people with developmental disabilities. By changing the way it does business and looking at services, not settings, FSSA wants to reduce the number of Hoosiers relying on state facilities, nursing homes and other institutions, and increase their real options.

Community-based care is preferred by those getting service and almost always more cost-effective. During the next biennium, FSSA will also continue building a system of regional service centers that focus on local needs and creating partnerships.

Funding to expand community services is made available, in part, by reducing the number of people served in state facilities. The slow-down in closing Muscatatuck State Developmental Center, due to both litigation and legislation, has decreased funding available for the expansion of community services.

FSSA is also committed to increase the number of seniors served at home or in their communities.

Community-Based Services

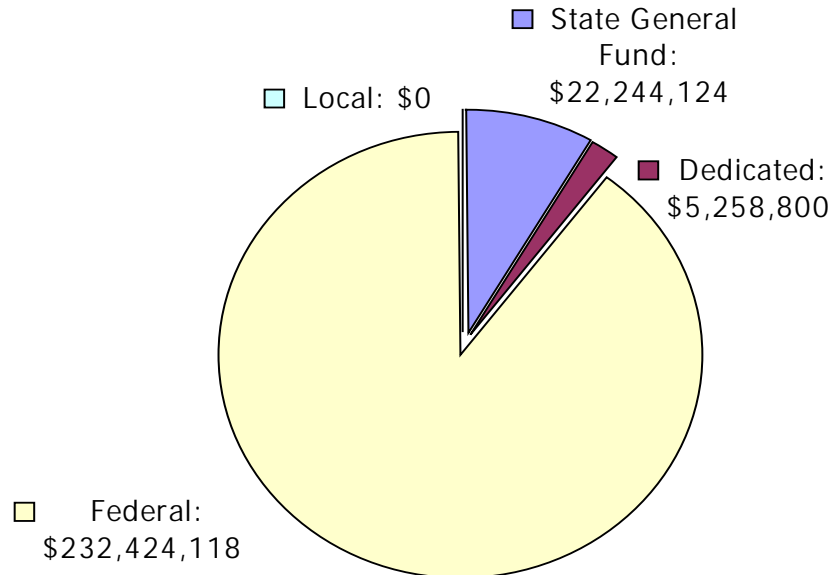
			FSSA Budget as Recommended (State Appropriation Only)	
			SFY 2004	SFY 2005
			<hr/>	<hr/>
6000-185600 Adoption Services				
3500-185900	Adoption Assistance		5,892,365	5,892,365
3630-150700	Non-Recurring Adoption		625,000	625,000
3500-180000	Special Needs Adoption Program		785,565	785,565
6000-108500 Social Services Block Grant*				
3520-149700	Title 20 - Aging & Comm Services		1,615,017	1,615,017
3520-161500	SSBG -- Department of Corrections		811,303	811,303
6000-172300 DD Client Services*				
1000-124190	Family Subsidy		1,004,700	1,004,700
1000-494100	DD Residential Services		43,001,121	43,001,121
1000-121460	Supported Employment		3,117,498	3,117,498
1000-104140	Diagnosis & Evaluation		930,788	930,788
1000-124050	Residential Facilities Council		16,200	16,200
1000-124110	Epilepsy Program		460,954	460,954
1000-104130	Day Services		22,976,381	22,976,381
6000-124000 Aging and Disability Services*				
1000-104950	Older Hoosiers		1,899,147	1,899,147
6000-105600	Older Workers		6,411	6,411
6000-149100	Aging Administration		309,851	309,851
1000-121490 CHOICE				
1000-121490	CHOICE		48,673,544	48,673,544
6000-177600 Vocational Rehabilitation*				
3720-172300	Vocational Rehabilitation		15,222,296	15,222,296
6140-182500 Blind Vending				
6140-182500	Blind Vending Section 110		130,137	130,137
6000-177900 Independent Living				
3720-172400	Independent Living		22,222	22,222
6000-112300 ATTAIN				
6000-112300	ATTAIN		355,500	355,500
6000-140500 Quality Assurance/Research*				
1000-124080	DMHA Qual Assur/Resrch [Program portion]		324,364	324,364
3280-141000	Seriously Mentally Ill*		644,100	644,100
1000-124090	Seriously Emotionally Disturbed*		90,870	90,870

6000-132400 Substance Abuse Treatment			
1000-124130	Alcohol Drug Abuse Treatment	5,006,000	5,006,000
6000-140800 Seriously Mentally Ill			
3280-141000	Seriously Mentally Ill*	93,250,684	93,250,684
6000-140800 Seriously Emotionally Disturbed			
1000-124090	Seriously Emotionally Disturbed*	16,394,708	16,394,708
1000-121790 Step Ahead			
1000-121790	Step Ahead [Program portion]	1,348,078	1,348,078
		264,914,804	264,914,804

* Accounts designated with an asterisk are budgeted under more than one section.

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

Prevention Services: \$259,927,042 (biennium total)



Identifying and helping families and children who need assistance as early as possible reduces the chance of greater problems in the future.

To serve children who may be at risk of abuse or neglect, the voluntary Healthy Families program will conduct screenings for 90% of all Hoosier newborns and offer services to 100% who qualify. Independent studies have shown families in this voluntary home-visiting program show marked improvement after just the first three months.

FSSA also will increase enrollment in the First Steps birth-to-three program for children at risk of or with developmental delays.

To help families become self sufficient, FSSA has set a goal of increasing the earnings of TANF families by 15%, and will also work to increase the number of people with disabilities in competitive employment.

And for seniors, we will help 15,000 more acquire long-term care insurance.

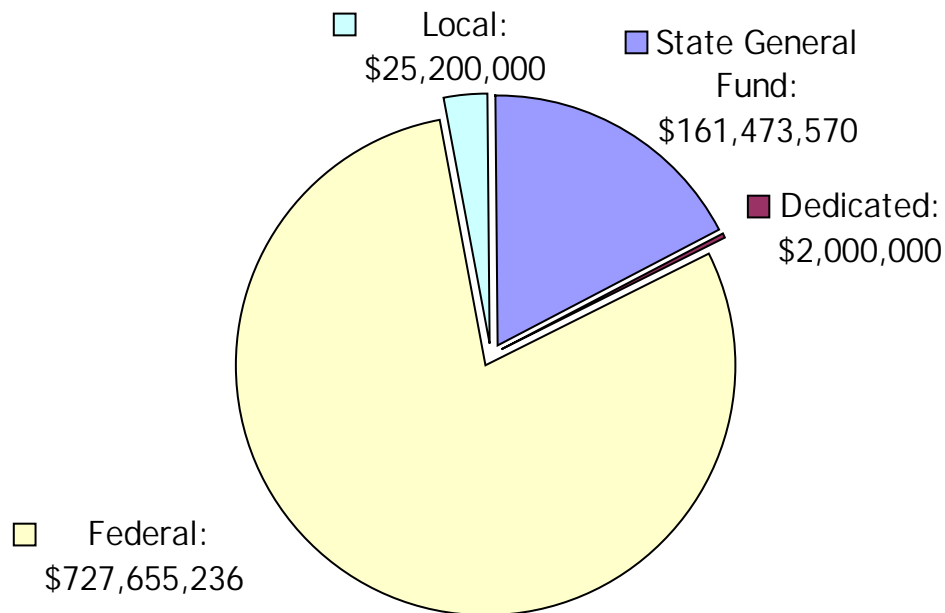
Prevention Services

FSSA Budget as Recommended (State Appropriation Only)

		SFY 2004	SFY 2005
6000-150100 Education and Training			
2250-150000	Impact -- Food Stamps	2,489,421	2,489,421
3560-170300	Impact -- TANF	5,819,667	5,819,667
6000-124000 Aging and Disability Services*			
1000-122930	Adult Guardianship	484,936	484,936
1000-122740	Adult Protective Services	2,021,540	2,021,540
6000-182000	Ombudsman	306,498	306,498
		11,122,062	11,122,062

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

Healthy and Safe Services: \$916,328,806 (biennium total)



To help Hoosier children thrive as they grow, FSSA will work to ensure that children served in Hoosier Healthwise get age-appropriate well-child checkups.

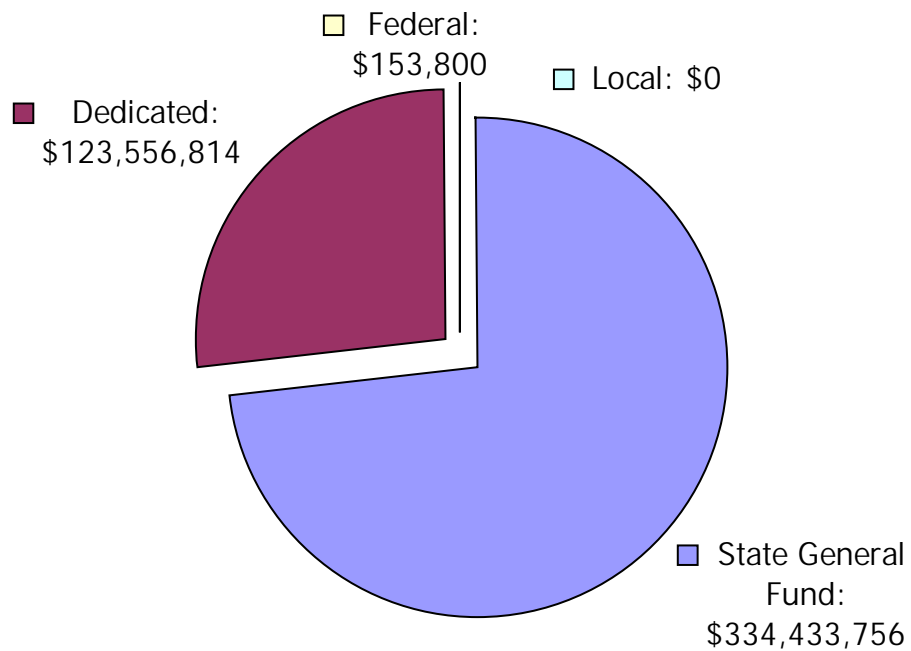
For seniors in the system, FSSA will increase the number of people enrolled in Hoosier Rx to 30,000. As one of the states chosen to be part of the National Governors Association Policy Academy on Chronic Disease, we will also achieve measurable improvements in health for people we serve with asthma, congestive heart failure, diabetes and HIV/AIDS.

Healthy and Safe Services

		FSSA Budget as Recommended (State Appropriation Only)	
		SFY 2004	SFY 2005
6000-122900 TANF			
3500-185200	TANF Assistance	31,357,943	31,357,943
6000-139300 Child Care Services			
3500-186200	Child Care Development Fund	33,120,756	33,120,756
2160-149700	School Age Child Care	550,000	550,000
6000-102900 Food Assistance			
6000-102900	Emergency Food Assistance	146,000	146,000
1000-120360 Youth Services			
1000-120360	Youth Services	1,250,000	1,250,000
6000-185300 Prevention Services*			
1000-121610	Project SafePlace	125,000	125,000
6000-149900 Violence Prevention			
3320-102000	Domestic Violence	1,000,000	1,000,000
6000-108500 Social Services Block Grants*			
3520-102000	SSBG -- DFC	1,475,214	1,475,214
3520-140000	SSBG -- Department of Health	228,376	228,376
6000-124000 Aging and Disability Services*			
1000-105120	Residential Care Assistance Program	11,426,460	11,426,460
6000-155500	OBRA/PASRR	57,036	57,036
		80,736,785	80,736,785

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

State Operated Facilities: \$458,144,370 (biennium total)

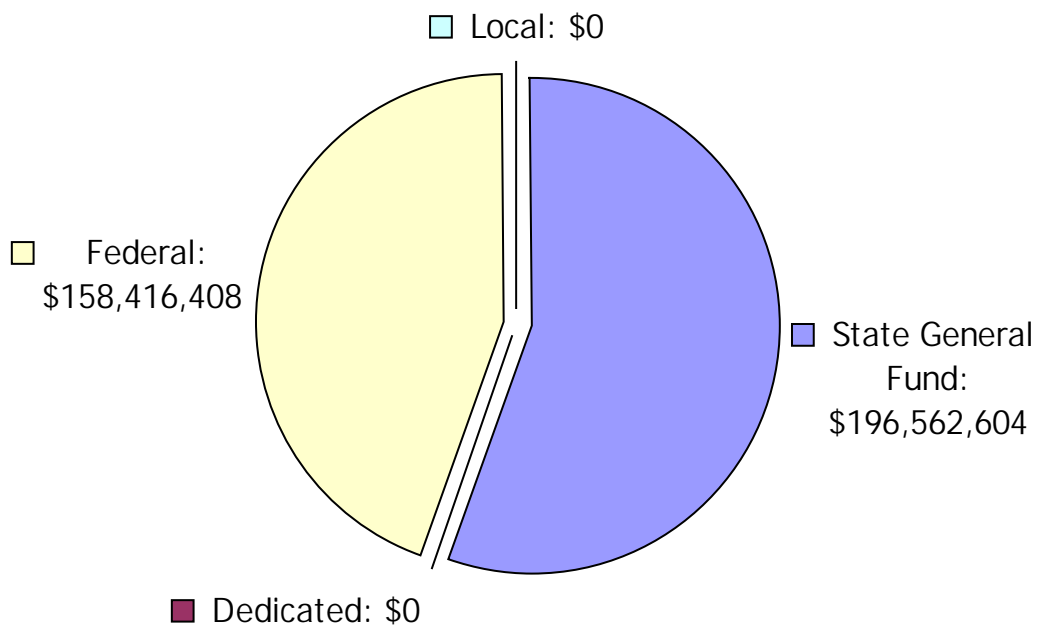


State Operated Facilities

		FSSA Budget as Recommended (State Appropriation Only)	
		SFY 2004	SFY 2005
		<hr/>	<hr/>
1000-434050 State Operated Facilities			
	<u>State DMHA Hospitals</u>	121,946,328	121,946,328
1000-104150	Evansville Psychiatric Children's Center		
1000-104250	Evansville State Hospital		
1000-104500	Larue Carter State Hospital		
1000-104350	Logansport State Hospital		
1000-104300	Madison State Hospital		
1000-104400	Richmond State Hospital		
1000-1085400 State Operated Facilities			
	<u>State Developmental Centers</u>	45,270,550	45,270,550
1000-104650	Ft. Wayne State Developmental Center		
1000-104700	Muscatatuck State Develop. Center		
		167,216,878	167,216,878

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

Division of Family & Children County Administration:
\$354,979,012 (biennium total)



DFC County Administration

**FSSA Budget as Recommended (State
Appropriation Only)**

SFY 2004**SFY 2005**

6000-108500 DFC-County Office Administration

2100-170000 County Administration

98,281,302

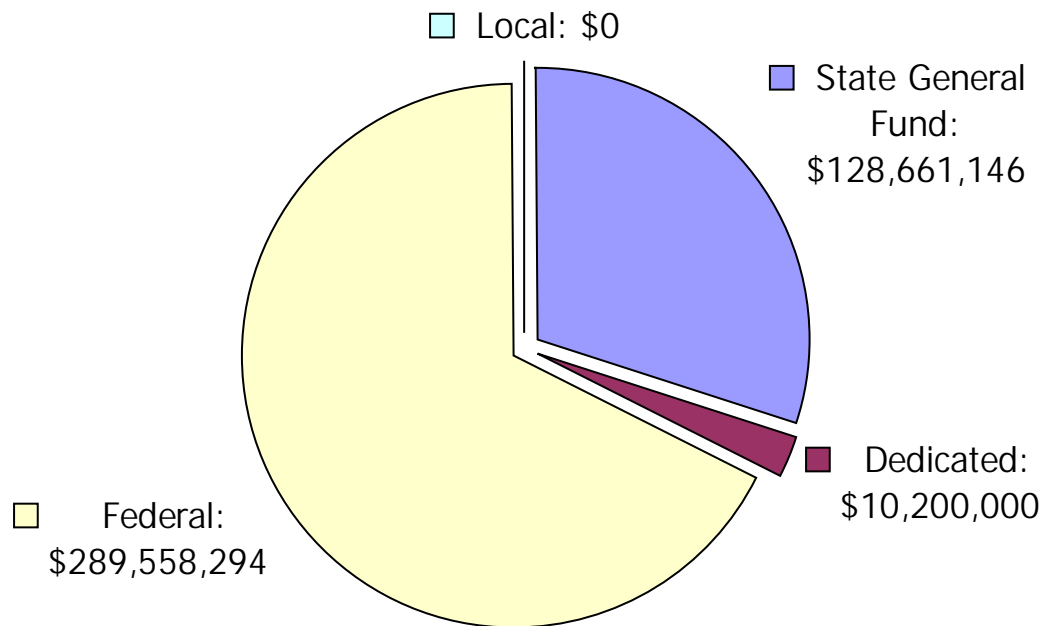
98,281,302

98,281,302

98,281,302

Family & Social Services Administration 2004-2005 Biennial Budget Request - Sources of Funds

Administration: \$428,419,440 (biennium total)



Administration

FSSA Budget as Recommended (State Appropriation Only)

		SFY 2004	SFY 2005
		<hr/>	<hr/>
Information Systems Technology			
6000-104400 Info Systems Technology			
3510-150300	Electronic Benefits Transfer	1,190,000	1,190,000
3510-110000	Early Intervention Services	6,458,433	6,458,433
2100-110900	Indiana Client Eligibility System	7,420,642	7,420,642
3630-151000	Indiana Child Welfare Info System	2,373,939	2,373,939
3510-150500	Support Enforcement Tracking System	1,946,647	1,946,647
		19,389,661	19,389,661
DFC Central Office Admin.			
3510-150000 Child Support Administration		3,938,171	3,938,171
3630-150100 Child Welfare Administration		569,401	569,401
1000-101520 Commission on Status of Black Males		126,101	126,101
1000-105000 DFC Administration		5,387,470	5,387,470
6000-108500 Social Services Block Grants*			
3520-150000	SSBG -- DFC*	12,404,090	12,404,090
		22,425,233	22,425,233
DDARS Administration			
1000-1086000 DDARS Administration			
1000-108600	DDARS Administration	3,080	3,080
6000-172300 DD Client Services*			
6000-119500	Quality of Life Services	426,593	426,593
6000-145700	Residential Administration	318,834	318,834
3720-172700	MR/DD Case Management	3,266,156	3,266,156
6000-124000 Aging and Disability Services*			
6000-108900	Medicaid Waiver Unit	429,601	429,601
6000-177600 Vocational Rehabilitation*			
3730-155700	Blind Services	279,774	279,774
3760-172500	Training	6,300	6,300

6000-145800 Deaf and Hard of Hearing

1000-122870	Deaf Services	497,721	497,721
		5,228,059	5,228,059

DMHA Administration**6000-1403000 DMHA Administration**

3280-142000	DMHA Administration	2,480,565	2,480,565
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6000-140500 Quality Assurance/Research*

1000-124080	QA/Research* [Admin. portion]	558,612	558,612
		3,039,177	3,039,177

FSSA Administration

3560-170600	FSSA General Administration	13,812,028	13,812,028
1000-121790	Step Ahead [Admin. portion]	436,415	436,415
		14,248,443	14,248,443

* Accounts designated with an asterisk are budgeted under more than one section.